

# UTAH COUNTIES INDEMNITY POOL

## NET ASSET MANAGEMENT POLICY

### PURPOSE

Manage Net Asset levels to assure adequate assets to protect UCIP's financial position without holding excessive public funds as Net Assets.

### GOAL

Manage Net Asset levels between 100% and 200% of annual contributions. Net Assets should be controlled within a minimum of 50% and a maximum of 250% of annual contributions.

### PROCEDURE

The Board shall review the audited Net Assets as part of the Member Contribution Rate Setting Process. The Board may use the Member Contribution Rate Setting Process, Claim Reserve Deterioration Fund, Rate Stabilization Fund, and the Dividend Plan to manage and control Net Assets.

The Board conducts a Member Contribution Rate Setting Process annually in order to determine annual Member contributions in accordance with the UCIP Interlocal Agreement. In addition to the actuarial rate analysis, competitive factors and all other factors which impact the rate setting decision process, the Board shall review the audited Net Asset position in relation to this policy as part of their annual Member Contribution Rate Setting Process.

The **Claim Reserve Deterioration Fund** may be used to assure designated reserves are adequate to pay all claims assumed. This fund will be shown separately on the financial statements from the claim reserves, and will show the difference, if any, between the "expected" loss reserves identified by the actuary and the amount of reserves the Board approves to dedicate. The "expected" level provides a 60% confidence level that the reserves are adequate to pay all claims assumed. The Board should consider approving reserves in the 80% to 90% confidence level when pool performance allows.

The **Rate Stabilization Fund** may be utilized to designate surplus to cover temporary or unexpected expenses, particularly reinsurance expense, to avoid temporary rate fluctuation. As reinsurance expenses can only be estimated at the time pool rates are developed, the primary use of this fund will be to cover costs of estimates that were low when rates were developed, as this would only affect the rates for that year. Additional amounts may be set aside to account for unexpected increases in reinsurance costs or other expenses, to allow for gradual rate change over multiple years.

The **Dividend Plan** should be used to return excess Net Assets to members in the manner described in the Dividend Policy.  
When determining if Net Assets are within the ranges identified in this policy, audited Net Assets shall be compared to the prior year's audited annual contributions.

#### **CONTROL OF NET ASSET LEVELS**

Net Assets should not exceed 250% of annual contributions unless the board has specific needs for such surplus which may include but not be limited to the following:

- Expectation of new membership;
- Development of a new line of coverage;
- Development of new or expanded coverage; or
- Development of new or expanded services.

Net Assets should not fall below 50% of annual contributions. If Net Assets do fall below 50%, the Board shall immediately implement a plan to increase Net Assets.

#### **REVEIW**

The Board shall review this policy annually and make any reasonable amendments to continue to meet the goal of this policy.